# NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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## TREASURER ANGELIDES TAKES STATEWIDE DRIVE OPPOSING GOV. SCHWARZENEGGER'S $15 BILLION-PLUS BORROWING PLAN TO SAN DIEGO

*Treasurer, Joined by School Children, College Students and Others, Says Massive, Deficit Borrowing Means 'Mortgaging Our Children's Future'*

SAN DIEGO – State Treasurer Phil Angelides, saying that children are "the heart and soul of California's future," today made the third stop on his statewide effort opposing Governor Arnold Schwarzenegger's plan to ask voters next March to approve a $15 billion-plus deficit bond that "will force future generations to pay for today's debts."

Angelides, speaking at a news conference at the Bayside Community Center, urged citizens to contact the Governor and their lawmakers, and let them know that "massive deficit borrowing will not move this State one step closer to balancing its books." The Legislature has until this Friday, December 5, to decide on the Governor's bond proposal, if it is to appear on the March 2004 ballot. The Treasurer kicked off his statewide effort Tuesday in Sacramento and traveled to Los Angeles on Wednesday. After today's event in San Diego, Angelides is scheduled to make a stop in the Monterey Bay area, saying he needs to take his case to the people so they fully understand the impact of the Governor's proposal on future generations of Californians.

"Clear and simple, this massive deficit borrowing proposal will mortgage our children's future," the Treasurer said. "And our children will be saddled with this debt at the very time that the Governor also wants to close off opportunities that will help them become successful, taxpaying Californians – opportunities such as valuable outreach programs for the University of California and California State University systems."

"This is an important debate for the future of California," Angelides said. "The people have a right to hear all sides of this issue, which could affect California families for years to come."

Instead of massive borrowing, Angelides said, "Lawmakers should reject the Governor's bond plan and call on him to bring them a comprehensive plan to truly balance the budget. Everything must be on the table – spending cuts *and* fair revenues. So long as the cloud of debt hovers over our heads, we cannot look forward to building California's economy for the future."

The Treasurer said that the Governor must first try to reduce – and not expand – the level of deficit borrowing already approved. In addition, any borrowing must be a last resort – and not the first choice – of a balanced budget plan, and the borrowing itself should only be for a short term so that our debts are not passed on to the next generation. And finally, a borrowing plan should only be submitted to the voters as part of a comprehensive plan that moves us toward a balanced budget.

According to the Schwarzenegger Administration's own legislative proposal, the Governor wants the Legislature to approve and submit to the voters the sale of up to $17 billion of general obligation bonds that, after costs, would result in up to $15 billion in bond proceeds to help "balance the budget."

The Governor's proposal would increase by more than $4.6 billion the State's currently projected issuance of deficit bonds authorized by the enacted budget for 2003-04, and the Governor's proposal also would extend the period of taxpayer repayment from about five years to up to 30 years. As a consequence, the Schwarzenegger plan would increase the interest rates that taxpayers would have to pay, increase the overall principal and interest payments taxpayers would have to pay; and, would pass on the responsibility of today's debts to tomorrow's taxpayers.

The Treasurer's Office has estimated that the Governor's proposed $15 billion-plus bond, if paid off over 15 years, would cost California's taxpayers $23.2 billion – or cost each California household on average $2,017. If paid off over 30 years, the bond would cost taxpayers $34.98 billion, or on average $3,042 for each household.

The total cost of the Governor's proposal, if paid off over 15 years, would be $11.8 billion more than the cost of the deficit bonds included as part of the enacted 2003-04 budget, and the Governor's proposal, if paid off over 30 years, would cost taxpayers $23.5 billion more.

The Treasurer has a long track record of opposing deficit bonds. Since last May, Angelides has frequently and consistently spoken out against such deficit borrowing, whether Democrats or Republicans promoted it, saying he does "not believe that deficit financing… is feasible or prudent." Indeed, just last month, in the Treasurer's 2003 Debt Affordability Report, Angelides said that the 2003-04 budget already includes deficit borrowing that is beyond what is fiscally prudent for the State.

More recently, Angelides last week outlined his objections to the Governor's deficit financing bond proposal when he testified before the Assembly and Senate budget committees, calling on lawmakers to reject the massive deficit borrowing proposal.

Angelides said today that the Governor's proposal "represents a dramatic departure from the traditional use of general obligation bonds, which have typically been used for schools, transportation and other critical projects that build our future. These projects have been financed over a 30-year time frame because they provide benefits today and for the future. However, when a deficit bond is paid off, our children are left with nothing of value."

"The time has come," the Treasurer said, "to suture up our fiscal wounds, move forward, and make the tough choices to truly balance our budget so we can turn our attention to investing in our future – educating our children, rebuilding our infrastructure and strengthening our economy."